CDIC
Canada Deposit
Insurance Corporation

Be informed. Protect your savings.

Summary of the Corporate Plan

2012/2013 to 2016/2017

Including a Summary of the 2012/2013 Operating and Capital Budgets, and Borrowing Plan

Canada

CDIC's Five-Year Plan at a Glance

Our Operating Environment

The recent financial crisis has reaffirmed the need to have an effective resolution regime for all member institutions regardless of their size and complexity. While the Canadian economy remains relatively strong compared to other major economies, and the overall risk profile of CDIC's membership remained stable in 2011 with most members recording strong profits and maintaining favourable asset quality and capital ratios, CDIC's members face significant challenges to growth from such factors as market volatility, a slowdown in growth in the United States and persistent sovereign debt issues in Europe. In such an environment, it is critical that CDIC focus on preparedness for possible member failures.

Key Planning Assumptions

- No significant changes to CDIC's statutory objects.
- No failures of member institutions.
- The number of member institutions will remain relatively stable.
- Growth in insured deposits is forecast to be 3% annually.
- *Pro forma* premium revenue is projected based on anticipated changes in the classification of certain members under the Differential Premiums system; proposed incentives for early compliance with CDIC's *Data and System Requirements By-law*; and assumed changes to premium rates later in the planning period.

2012 Premium Rates

Category 1 *(best rated)*	2.8 basis points of insured deposits
Category 2	5.6 basis points of insured deposits
Category 3	11.1 basis points of insured deposits
Category 4 *(worst rated)*	22.2 basis points of insured deposits

CDIC's Four Corporate Strategies and Supporting Initiatives

Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure—CDIC will focus on a number of initiatives that will enhance our capacity to make a quick reimbursement to depositors or transfer of insured deposits to another institution; the Corporation will also maintain its expertise in the core areas of insurance, risk monitoring and resolutions. Key initiatives that support this strategy include: ongoing monitoring and planning for the intervention of high-risk members; and working with members to implement CDIC's *Data and System Requirements By-Law*, which will support quick access to insured deposits in the event of a failure.

Build Preparedness for Complex Resolutions—CDIC will develop readiness to address the resolution of large and complex financial institutions, in keeping with international standards. Initiatives include: preparing tailored resolution plans for these institutions; building capacity to perform complex resolutions; and ongoing work to meet best practices in resolving complex institutions—through active participation in the International Association of Deposit Insurers and working groups of the Financial Stability Board.

Promote Public Awareness of CDIC Deposit Insurance—CDIC will launch a new public awareness strategy that includes advertising campaigns to promote awareness. We will work with financial advisors to get our message to Canadians and launch a new social media strategy in 2012/2013. We will gauge the effectiveness of our efforts through surveys that measure changes in awareness of CDIC, the coverage limit, and products covered and not covered by CDIC.

Optimize the Use of CDIC's Strategic Resources—CDIC will deliver its new long-term strategy for human resources to ensure a stable and engaged work force. We will also make significant investments in our information systems to support our core activities while continuing to seek efficiencies across the Corporation.

Financial Highlights

Forecast—2012/2013

CDIC projects net income after taxes to be $91 million, based on total revenue of $131 million (consisting of $89 million in premium revenue and interest revenue of $42 million). Lower premium revenue in 2012/2013 largely reflects incentives offered to member institutions for early compliance with CDIC's *Data and System Requirements By-law*. Our Plan projects net operating expenses of $39 million and income taxes of $1 million. Capital expenditures are projected to be $6 million.

In 2011/2012, CDIC's Board of Directors approved an increase in the *ex ante* funding minimum target to 100 basis points of insured deposits (from the current target range of 40 to 50 basis points). By the end of 2012/2013, CDIC's *ex ante* funding, comprised of retained earnings and the provision for insurance losses, is projected to reach $2.5 billion, or 39 basis points of insured deposits.

Planning Period—2012/2013 to 2016/2017

Over the five-year planning period, premium revenue and interest income are expected to total approximately $1,315 million and $224 million, respectively. Net operating expenses are budgeted at $201 million and reflect CDIC's expanded resolution role. CDIC anticipates paying $11 million in income tax over the planning period, and forecasts retained earnings of $2.6 billion as at March 31, 2017. By the end of 2016/2017, CDIC's *ex ante* funding is projected to reach $3.8 billion, or 52 basis points of insured deposits.

CDIC does not receive government appropriations and currently has no debt. The Corporation does not anticipate the need to borrow funds over the next five years.

CDIC
Canada Deposit Insurance Corporation

SUMMARY OF THE CORPORATE PLAN

2012/2013 to 2016/2017

Including a Summary of the 2012/2013 Operating and Capital Budgets, and Borrowing Plan

Our Mandate

CDIC's mandate is to provide insurance against the loss of all or part of deposits and to promote and otherwise contribute to the stability of the financial system in Canada, for the benefit of those with deposits in CDIC member institutions while minimizing the Corporation's exposure to loss.

Our Values

- Excellence and Professionalism
- Integrity and Trustworthiness
- Communication and Teamwork
- Respect and Fairness

For More Information About CDIC

You can reach CDIC by e-mail, fax or letter. We are committed to promoting awareness of and providing information about deposit insurance and about our work.

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Table of Contents

1. Introduction to CDIC 2

Who We Are 2

What We Do 2

Our Members 4

Our Board of Directors and Officers 5

2. CDIC's Five-Year Plan 6

Operating Environment 6

Significant Risks and Key Planning Assumptions 8

Corporate Strategies and Scorecard for the Planning Period 11

3. Financial and Resource Plans 20

Premium Rates and *Ex Ante* Funding 21

Operating Budget—2012/2013 27

Capital Budget—2012/2013 28

Accounting Issues 29

Borrowing Plan 29

Human Resource Requirements 31

4. Performance Against Past Plans 32

Highlights of CDIC's Past Performance—2011/2012 to 2015/2016 32

CDIC Corporate Scorecard—2011/2012 to 2015/2016 34

Past Financial Performance—2010/2011 and 2011/2012 37

1. Introduction to CDIC

Who We Are

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). The Corporation is an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation reports to Parliament through the Minister of Finance.

The Corporation is funded by premiums that are assessed on the insured deposits of member institutions as at April 30 of each year. CDIC utilizes a differential premiums structure consisting of four premium categories; the rate for each category will range in 2012/2013 from 2.8 to 22.2 basis points of insured deposits, unchanged from 2011/2012 rates.

What We Do

CDIC provides insurance against the loss of part or all deposits, and promotes and otherwise contributes to the stability of the financial system in Canada. This work is pursued for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.

CDIC Provides Deposit Insurance Protection

$100,000 Deposit Insurance Coverage

What's covered?

CDIC insures eligible deposits held in each member institution up to a maximum of $100,000 (principal and interest combined) per depositor, for each of the following:

- savings held in one name
- savings held in more than one name (joint deposits)
- savings held in trust for another person
- savings held in Registered Retirement Savings Plans (RRSPs)
- savings held in Registered Retirement Income Funds (RRIFs)
- savings held in Tax Free Savings Accounts (TFSAs)
- savings held for paying realty taxes on mortgaged property

What's an eligible deposit?

Eligible deposits include:

- savings accounts and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits with an original term to maturity of five years or less
- money orders, travellers' cheques and bank drafts issued by CDIC members and cheques certified by CDIC members
- debentures issued by loan companies that are CDIC members

Deposits must be payable in Canada, in Canadian currency.

Depositors are responsible for ensuring that the member institution's records include all information required for the separate protection of their eligible deposits (see CDIC's website at **www.cdic.ca** for details).

What's not covered?

CDIC deposit insurance does not protect all accounts and financial products. For example, mutual funds, stocks and foreign currency deposits, including those in U.S. dollars, are not covered by CDIC.

CDIC Manages Deposit Insurance Risk

To manage its insurance risks, CDIC conducts regular risk assessments of its members and monitors their financial performance. CDIC relies on the Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des marchés financiers (AMF) to conduct annual examinations of member institutions on its behalf. CDIC works closely with these supervisors—for example, in addressing member institutions that pose unacceptably higher risk to CDIC.

In certain circumstances CDIC conducts special and preparatory examinations to assess its risk in a troubled member institution. CDIC also has the power to assess deposit insurance premium surcharges and to intervene when required.

The last member failure occurred in 1996. In total, there have been 43 member failures since 1967.

Our Members

CDIC membership is limited to banks, federally incorporated trust or loan companies, provincially incorporated trust or loan companies, and retail associations to which the *Cooperative Credit Associations Act* applies. At December 31, 2011, member institutions numbered 84.

History of Premium Rate Changes

(shown as basis points of insured deposits)

1967	3.3
1986	10.0
1993	12.5
1994	16.7
1999	**Differential Premiums System**
1999/2000 to 2000/2001	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—16.7
2001/2002	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—33.3
2002/2003 to 2004/2005	Category 1—2.1 Category 2—4.2 Category 3—8.3 Category 4—16.7
2005/2006 to 2008/2009	Category 1—1.4 Category 2—2.8 Category 3—5.6 Category 4—11.1
2009/2010	Category 1—1.9 Category 2—3.7 Category 3—7.4 Category 4—14.8
2010/2011	Category 1—2.3 Category 2—4.6 Category 3—9.3 Category 4—18.5
2011/2012 to 2012/2013	Category 1—2.8 Category 2—5.6 Category 3—11.1 Category 4—22.2

Our Board of Directors and Officers

The Corporation's affairs are governed by a Board of Directors comprised of the Chair, the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada, the Superintendent of Financial Institutions and a Deputy Superintendent or an officer of OSFI, and five private sector Directors.

CDIC's Board has four standing committees—the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee, and the Governance and Nominating Committee. Additional information on these committees and on how CDIC is governed can be found on our website at **www.cdic.ca**.

CDIC Board of Directors

(as at December 31, 2011)

Bryan P. Davies
Chair of the Board

Private Sector Directors

George Burger
Business Executive
Toronto

Les Cannam
Chartered Accountant
Saskatoon

John McFarlane
Lawyer
Halifax

Éric Pronovost
Chartered Accountant
Trois Rivières

Shelley Tratch
Lawyer
Vancouver

Ex Officio Directors

Mark Carney
Governor
Bank of Canada

Julie Dickson
Superintendent of
Financial Institutions
Office of the Superintendent
of Financial Institutions

Michael Horgan
Deputy Minister
Department of Finance

Ursula Menke
Commissioner
Financial Consumer Agency
of Canada

Ted Price
Deputy Superintendent
Office of the Superintendent
of Financial Institutions

Alternates (for *Ex Officio* Directors)

Agathe Côté
Deputy Governor
Bank of Canada
(Alternate for the Governor of the Bank of Canada)

Jeremy Rudin
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance
(Alternate for the Deputy Minister of Finance)

CDIC Officers

(as at December 31, 2011)

Michèle Bourque
President and Chief Executive Officer

Jeffrey A. Johnson
Senior Vice President
Insurance and Risk
Assessment

Dean A. Cosman
Vice President
Finance and Administration,
and Chief Financial Officer

M. Claudia Morrow
Vice President
Corporate Affairs,
General Counsel and
Corporate Secretary

Thomas J. Vice
Vice President
Complex Resolution

2. CDIC's Five-Year Plan

Operating Environment

CDIC monitors economic and membership trends and stays abreast of ongoing and emerging issues in the regulatory environment, enabling the Corporation to regularly assess risks that may have an impact on depositors, on CDIC's membership or directly on the Corporation.

Legislative Environment

In 2010, the Department of Finance launched its scheduled review of legislation governing federally regulated financial institutions including statutes such as the *Bank Act* and the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). CDIC management has been working with the Department of Finance and other safety net agencies on legislative proposals in the context of this review.

The recent financial crisis has reaffirmed the need to have an effective resolution regime for all member institutions, and to be prepared for the possibility of a failure of a large, complex member institution. In this regard, we have been working with other safety net agencies to ensure that CDIC has the powers to resolve any troubled CDIC member institution, regardless of its size or complexity. The Corporation is also actively contributing to the development of international best practices in deposit insurance in support of Canada's G20 commitments.

Economic Environment

Canada's economy remains relatively strong compared to other major economies; however, significant challenges to growth include market volatility, a slowdown in growth in the U.S. and persistent sovereign debt issues in Europe. Canadians remain relatively pessimistic about future job creation and their current and future household finances. Consumer indebtedness continues to rise as individuals take advantage of historically low interest rates. The housing sector has shown signs of slowing; however, housing prices have for the most part remained relatively stable. The volatility of consumer confidence indicators needs to be considered as CDIC continues its public awareness efforts.

Membership Environment

The overall risk profile of CDIC's membership remained stable in 2011 with most members recording strong profits and maintaining favourable asset quality and capital ratios. It is expected that CDIC members will be able to meet Basel III capital requirements well in advance of international deadlines. Members' liquidity positions will be monitored closely given global financial stresses and slower economic growth.

Corporate Environment—Changes at CDIC

In building our capacity to handle the failure of a large, complex member institution, in 2011 CDIC formed the Complex Resolution Division which is charged with: developing resolution plans for complex members; ensuring the organization is prepared to intervene in the event of a failure of one of its most complex members; and advancing cross-border cooperation.

The global economic situation and lessons learned since 2008 have reaffirmed the importance of the role of CDIC. Our participation on a number of committees and working groups, including those of the International Association of Deposit Insurers (IADI) and the Financial Stability Board (FSB), is increasingly important in the context of our resolution work. Our own operations reflect as much as possible the development of best practice principles and standards arising from the work of these important organizations.

Upon her appointment in May 2010, CDIC's President and CEO conducted an Organizational Effectiveness Review which resulted in a multi-year action plan. This plan positioned CDIC very well to respond to the government-wide Strategic and Operating Review exercise, the spirit and intent of which CDIC and all Crown corporations were asked to adhere to (further details of this plan are presented in Part 3 of this Summary).

Significant Risks and Key Planning Assumptions

Overview of Our Significant Risks

CDIC's Board of Directors has formalized its risk governance responsibilities and has established expectations of CDIC management with respect to supporting the Board in its risk governance. In accordance with these expectations, management has implemented an Enterprise Risk Management (ERM) program to identify and manage key risks of the Corporation. This program includes a detailed annual assessment, as well as regular reviews to identify and assess any significant changes related to these risks.

CDIC is exposed to 13 risks in four categories stemming from its statutory objects and the conduct of its affairs: insurance, operational, financial and reputation. Based on its 2010/2011 annual assessment (presented in CDIC's 2011 Annual Report), and review as at December 31, 2011, management has concluded that CDIC's overall risk remains acceptable. Nevertheless, intervention, people, technology and process risks are assessed as cautionary, meaning that close monitoring is warranted.

INSURANCE RISKS

Overall, insurance risks are assessed as acceptable. However, as shown below, *intervention risk* remains cautionary given the operational and technical challenges that are associated with building capacity to handle a complex member failure. The expectations placed on the Corporation have increased in this regard as a result of a focus on the resolution of complex members and international developments. Until members fully implement CDIC's data and system requirements (expected to be in 2013/2014), CDIC may not be in an optimal position to implement a bridge institution or conduct a payment/transfer of insured deposits for the sudden failure of a member institution of any size with the speed and sophistication it hopes to eventually achieve. The trend of this risk is viewed as decreasing over time as CDIC's intervention capabilities continue to be strengthened, and further enhancements are made to our intervention systems.

OPERATIONAL RISKS

CDIC's overall operational risks are assessed as acceptable; however, CDIC's *people risk* remains cautionary—CDIC's business model of operating with only a core level of employees with in-depth knowledge and expertise in deposit insurance inherently exposes the Corporation to risk. Recruitment efforts are required to build our resolution capacity with the recent establishment of our new Complex Resolution Division. Additionally, there are a number of potential retirements in key positions over the next few years which may also impact our human resources. CDIC mitigates this risk through recruitment and succession planning activities as well as stand-by arrangements to complement our existing resources in the event of an intervention.

Technology risk is viewed as cautionary as CDIC has deferred a number of upgrades to its corporate system due to resource constraints and a focus on core business applications. Resources and plans are in place to make these upgrades in 2012/2013 and 2013/2014. *Process risk* is also assessed as cautionary as a number of new internal processes are being developed to support a faster reimbursement of insured deposits in the event of a failure and to assess member institutions' compliance with new data and system requirements. Management has undertaken initiatives to mitigate these operational risks and is closely monitoring project plans to ensure their successful implementation.

FINANCIAL RISKS

CDIC's financial risks (*liquidity, market* and *credit risk*) are conservatively managed and continue to be assessed as acceptable.

REPUTATION RISK

Reputation risk remains acceptable but with an increasing trend as international resolution practices and standards raise expectations for the organization and result in additional requirements for our members. This overall risk continues to be mitigated by a robust deposit insurance system, effective coordination mechanisms with other safety net agencies, ongoing communication with our member institutions and a focus on intervention readiness.

A summary of CDIC's 13 risks is presented in the table below.

	Rating (as at December 31, 2011)	Trend
Insurance Risks		
Insurance Powers Risk: The risk that CDIC does not have the necessary powers to support the management of its insurance risk in accordance with CDIC's statutory objects.		—
Assessment Risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		—
Intervention Risk: The risk that CDIC cannot or does not take timely and effective action with respect to an unacceptable level of insurance risk posed by a member institution, or with respect to failed member institutions.		▼
Operational Risks		
People Risk: The risk resulting from inadequacies in competency, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		—
Information Risk: The risk that timely, accurate and relevant information is not available to facilitate informed decision making and/or the exercise of effective oversight.		—
Technology Risk: The risk that CDIC's technology does not appropriately support the achievement of its statutory objects and the conduct of its affairs.		—
Process Risk: The risk resulting from the incorrect execution of, a breakdown in, or a gap in, a policy, practice or control respecting CDIC's processes.		—
Legal/Compliance Risk: The risk that CDIC fails to identify, consider, fulfill or comply with its legal and other obligations and requirements, in the conduct of its affairs.		—
Business Continuity Risk: The risk that a disruption impacting CDIC's personnel, information, premises, technology or operations will impede its ability to achieve its statutory objects and conduct its affairs.		—

LEGEND

Risk Rating:

■ Acceptable—meaning that the residual risk is acceptable and appropriate risk management practices are in place.

■ Cautionary—meaning that the residual risk warrants close monitoring and/or that previously identified initiatives to enhance the management of the risk are not fully implemented, albeit appropriate and timely action is being taken to do so.

■ Serious Concern—meaning that significant gaps may exist in risk management practices, controls or oversight, and that CDIC currently is not equipped to fully deal with the risk exposure.

Risk Trend:

— Stable

▼ Decreasing

▲ Increasing

	Rating (as at December 31, 2011)	Trend
Financial Risks		
Liquidity Risk: The risk that funds will not be available to CDIC to honour its cash obligations (both on- and off-balance sheet) as they arise.		—
Market Risk: The risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market rates (such as interest rates and foreign exchange rates) or prices.		—
Credit Risk: The risk of loss attributable to counterparties failing to honour their obligations, whether on- or off-balance sheet, to CDIC.		—
Reputation Risk		
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.		▲

LEGEND

Risk Rating:

■ Acceptable—meaning that the residual risk is acceptable and appropriate risk management practices are in place.

■ Cautionary—meaning that the residual risk warrants close monitoring and/or that previously identified initiatives to enhance the management of the risk are not fully implemented, albeit appropriate and timely action is being taken to do so.

■ Serious Concern—meaning that significant gaps may exist in risk management practices, controls or oversight, and that CDIC currently is not equipped to fully deal with the risk exposure.

Risk Trend:

— Stable

▼ Decreasing

▲ Increasing

Key Planning Assumptions

The strategies, plans and supporting resource budgets presented in this Summary are based on the planning assumptions set out below.

1. **No significant changes to CDIC's statutory objects or the elements of deposit insurance are expected during the planning period.**

2. **Although risk in the Canadian financial system has been higher in the past few years, the working assumption supporting this Corporate Plan is that no failures of CDIC member institutions will occur during the planning period.** While the overall financial system in Canada remains strong, previous experience suggests that, from time to time and in particular during difficult economic times, individual member institutions will face viability or solvency problems that require intervention by CDIC. The timing and circumstances surrounding such events are difficult to predict, as are the internal resource implications for each situation.

   The Corporation can make a payment of insured deposits of approximately $20 billion—comprised of its current level of *ex ante* funding and legislated borrowings of $18.0 billion as at January 1, 2012. Payouts or resolution activities involving more than this amount would require CDIC to obtain additional funding through an appropriations act.

3. **The total number of CDIC member institutions will not change significantly during the planning period.**[1]

4. **Growth in insured deposits is forecast to be 3% annually throughout the planning period.** Insured deposit growth is affected by a variety of factors including overall economic growth, interest rates, disposable income growth, and the manner in which income and financial savings are allocated among a variety of financial instruments.

5. ***Pro forma* revenue is based on: anticipated improvements in the classification of certain members under the Differential Premiums system; proposed incentives in 2012/2013 for early compliance with CDIC's *Data and System Requirements By-law*; and future changes to premium rates.**

6. **CDIC assumes an average yield on cash and investments of 1.7% for 2012/2013, dropping to 1.5% for the remainder of the planning period.** We expect that as current investments mature they will be reinvested at lower rates resulting in lower yields. This assumption was derived from the yield curve as at the end of 2011, and applying a weighting of these rates to CDIC's actual investment portfolio and its existing maturity structure, based on policies approved by CDIC's Board of Directors.

7. **CDIC is a Crown corporation funded by premiums assessed on its members and will not receive government appropriations during the planning period.** Premium revenues and interest income are projected to provide sufficient funding to meet ongoing operating expenses.

Corporate Strategies and Scorecard for the Planning Period

In developing its Corporate Plan, CDIC carefully reviewed its corporate objects, powers and strategies, taking into consideration the current and projected operating environment, and the level and nature of risks faced by the Corporation.

Four corporate strategies were identified to allow CDIC to continue to successfully fulfill its mandate and guide its activities over the planning period (April 1, 2012, to March 31, 2017):

- *Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure*
- *Build Preparedness for Complex Resolutions*
- *Promote Public Awareness of CDIC Deposit Insurance*
- *Optimize the Use of CDIC's Strategic Resources*

Highlights of the initiatives and plans that support each corporate strategy are presented below, followed by a Corporate Scorecard that sets out performance indicators for key initiatives. The supporting financial and resource budgets are included as Part 3 of this Summary.

[1] As at December 31, 2011, recent legislation allowing provincial cooperative credit unions to apply to become federal cooperative institutions, and members of CDIC, was not yet in force.

❖ Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure

Over the planning period, CDIC will focus efforts on a number of initiatives that will enhance our capacity for a quick reimbursement or transfer of insured deposits to another institution. These include:

- continuing to closely monitor and assess the risk of our members
- actively managing the risk posed by high-risk members
- documenting the plans for intervention and resolution specifically for high-risk members
- enhancing the methodology and tools that support a faster payout[1] or transfer of deposits

Key initiatives that support the outcomes of this corporate strategy are summarized in the following chart and described more fully below.

Expected Performance Outcomes	Key Targets	Supporting Key Initiatives
Membership Risk Monitoring CDIC assesses and understands risks of its member institutions supporting preparedness and prompt response to intervene when required.	Risks of each member group are assessed and documented annually (including risk rating and trend).	Close monitoring and assessment of CDIC's membership.
	Intervention plans are developed for CDIC's highest risk members, and are updated on a regular basis, based on the ongoing monitoring and assessments of member institutions.	Development and update of intervention and resolution plans for high-risk members. Participation in the redesign and replacement of the Tri-Agency Data Sharing System (TDS).
Readiness for Insurance Determination CDIC can complete an insurance determination on any member institution, regardless of size or complexity, over a weekend.	Evaluation of member institutions' compliance with the *Data and System Requirements By-law* by 2013.	Development of assessment methodology and tools to assess members' compliance with data and system requirements in support of Fast Insurance Determination (FID). All members to be assessed by the end of 2013, starting in July 2012.
	Improve CDIC's proprietary insurance determination software and related processes to accommodate up to 10 million depositors by the end of 2012.	FID systems project to expand the capacity and speed of the insurance determination tools and processes to manage a member institution with up to 10 million depositors.
	Test CDIC's ability to accurately perform an insurance determination over a weekend.	
Readiness for Non-Payout Resolutions CDIC resolution of a failing or failed member institution.	Simulate the failure and resolution of a mid-sized member to assess CDIC's capability and identify process enhancements.	Develop and enhance alternative methods, activities and processes for non-payout resolutions (e.g., Bridge Bank, Assisted Transaction etc.).

[1] Payment of deposit insurance in respect of brokered deposits and other trust deposits is likely to take longer as up-to-date information on beneficiaries must be obtained from the trustees before CDIC can make payment.

MEMBERSHIP RISK MONITORING

Conduct close monitoring and assessment of CDIC's membership

CDIC's ongoing risk assessment and monitoring activities of its membership are core to its mandate. The Corporation reviews and analyzes member institutions on a regular basis, and discusses related risks with the Office of the Superintendent of Financial Institutions (OSFI) and the Board of Directors. During the planning period, CDIC will focus on ensuring that it continues to obtain member information that is adequate and commensurate with the risk of both members and the economic environment, and that highlight significant emerging risks requiring mitigation.

Intervention and failure resolution planning for high-risk members

CDIC performs a number of ongoing activities that assist in intervention and failure resolution planning for high risk members. These efforts include payout simulations, as well as the development of preparatory examination plans for high-risk members that support improved CDIC response time in a failure situation. Similarly, for its highest risk member institutions, CDIC will continue to prepare special examination plans that outline steps to be undertaken in the verification of asset values which would provide an estimate of potential CDIC losses under various resolution options.

Participate in the redesign and replacement of the Tri-Agency Data Sharing System

Over the planning period, CDIC will continue to participate in the redesign and replacement of the Tri-Agency Data Sharing System (TDS). TDS was initially developed and funded jointly by the Bank of Canada, OSFI and CDIC in 1999 to collect and share financial information from financial institutions. This two- to three-year project is expected to begin in the first quarter of the 2012/2013 fiscal year. The financial and resource plans presented in Part 3 of this Summary reflect current estimates of CDIC's share of costs for this initiative as total costs have not been fully determined.

READINESS FOR INSURANCE DETERMINATION

Develop and implement compliance methodology and tools to support a Fast Insurance Determination

In 2010/2011, a by-law was passed requiring member institutions to adhere to specific data and system requirements in order to facilitate the timely payment of insured deposits to depositors and to support the use of a bridge institution in the event of a failure. These data and system requirements will allow for quick loading of depositor information in CDIC's payout system (ROADMAP) to provide quick access to insured amounts in a bridge institution scenario. Although compliance with this by-law is required by June 30, 2013, CDIC amended its *Differential Premiums By-law* to introduce premium-related incentives to encourage early implementation of the requirements by June 30, 2012. Ongoing work related to this initiative will continue during the planning period, and includes enhancing our insurance determination systems in order to handle larger deposit bases as well as developing solutions to enable on-site compliance assessment.

READINESS FOR NON-PAYOUT RESOLUTIONS

Develop and enhance alternative methods, activities and processes for non-payout resolutions

CDIC is in the planning phase of developing an approach to test its readiness for non-payout resolutions and, over the planning period, will: define the scope of the simulation to be conducted; outline the characteristics of the simulated member institution; describe how a special examination would be performed for the institution; analyze intervention options; and simulate the chosen resolution option. Our plan is to conduct a limited scope simulation in 2014, with simulations of broader scope and greater complexity to be undertaken later in the planning period.

❖ Build Preparedness for Complex Resolutions

CDIC's largest member institutions are global in nature and provide critical infrastructure in support of the Canadian financial system. The potential failure of such an institution would clearly lead to a very complex resolution scenario. A number of key initiatives to be undertaken during the planning period will focus on CDIC's preparedness to deal with the failure of a complex member. Initiatives include developing and maintaining resolution plans for the largest member institutions; building our preparedness to execute large bank resolution processes; and contributing to a number of domestic and international initiatives in this area. These are summarized in the following table and described more fully below.

Expected Performance Outcomes	Key Targets	Supporting Key Initiatives
Readiness for Complex Resolutions CDIC is ready to implement non-payout resolutions for larger member institution failures (including a bridge institution).	Resolution plans are developed and maintained.	Preparation of a first set of resolution plans for member institutions pursuant to Financial Stability Board (FSB) guidance in regard to "Key Attributes of Effective Resolution Regimes for Financial Institutions." Build operational capability related to the use of CDIC powers (including Financial Institution Restructuring Provisions (FIRP) and bridge institution) to resolve a large member institution failure. Continued contribution to Senior Advisory Committee (SAC) and other inter-agency initiatives on enhancing Canada's large bank resolution framework.
Global Resolutions CDIC has in place internationally compatible resolution strategies and has appropriately mitigated the barriers to achieving a coordinated resolution of a globally active member institution.	Foster international coordination through the development of general (i.e., non-institution specific) memoranda of understanding with selected foreign resolution authorities by March 2013 with more comprehensive coordination agreements to be formulated throughout the planning period.	Initiate discussions with resolution counterparts to advance cross-border resolution issues and continued representation at the FSB Cross-Border Crisis Management working group.
International Collaboration CDIC continues to collaborate with international partners to develop international standards and best practices in deposit insurance.	Demonstrate leadership as an active member of the International Association of Deposit Insurers (IADI) Executive Council and on certain FSB working groups.	Participation in IADI and certain working groups of the FSB contributing to robust deposit insurance systems and improved cross-border resolution mechanisms.

READINESS FOR COMPLEX RESOLUTIONS

Prepare resolution plans for members with complex operations

In 2011 CDIC formed the Complex Resolution Division providing focused expertise on resolution planning for complex member institutions. During the planning period, this Division will focus on developing and maintaining resolution plans and strategies tailored to the unique circumstances of each of CDIC's most complex members. We will work with these member institutions, as well as with other domestic and international supervisors and resolution authorities to ensure that plans reflect specific members' circumstances. Other work that will build CDIC's readiness for complex resolutions includes conducting scenario analyses to assess the effectiveness of these plans.

Build operational capability related to complex resolutions

Over the planning period, CDIC will build the skill sets required to respond to a complex member failure. We will improve our ability to put into practice a variety of resolution methods such as a bridge institution, a forced sale through our Financial Institution Restructuring Provisions (FIRP), an assisted transaction and/or through share ownership.

Contribute to Senior Advisory Committee work on large bank resolution framework

CDIC will continue to actively participate in Senior Advisory Committee (SAC) initiatives on large bank resolution including the coordination of CDIC's preparedness activities with those of OSFI and other SAC agencies.

GLOBAL RESOLUTIONS

Initiate discussions with resolution counterparts to advance cross-border resolution issues and continued representation at the Financial Stability Board Cross-Border Crisis Management working group

CDIC aims to develop internationally compatible resolution strategies and coordination agreements that mitigate the barriers to achieving an orderly resolution for globally active member institutions. This work will require continued participation in FSB working groups aimed at establishing institution specific cooperation agreements as well as bilateral/working group discussions with key resolution counterparts where our members are most active.

INTERNATIONAL COLLABORATION

Participate in the International Association of Deposit Insurers and working groups of the Financial Stability Board contributing to robust deposit insurance systems and cross-border resolution mechanisms

CDIC will continue to be an active member of the IADI—as Chair of the IADI Guidance Group, and on working groups of the FSB. CDIC will support its President and CEO as a member of IADI's Executive Council and as the recently appointed Chair of IADI's newly established Regional Committee for North America. In addition, CDIC also co-chairs the steering committee on the implementation of the Basel Committee on Banking Supervision (BCBS) / IADI Core Principles Assessment Methodology.

❖ Promote Public Awareness of CDIC Deposit Insurance

Key to our mandate of contributing to the stability of the Canadian financial system, we promote awareness of the CDIC deposit insurance program. By informing Canadians about our program we assist them in making sound decisions about the protection of their savings, which in turn contributes to their confidence in our financial system. Three key initiatives related to this strategy will be carried out during the planning period and are described below.

Expected Performance Outcomes	Key Targets	Supporting Key Initiatives
Awareness of CDIC and the Deposit Insurance Limit Canadians are aware of CDIC, the $100,000 coverage limit, as well as key financial products covered and not covered by CDIC.	Total awareness of CDIC remains at or above 45% of Canadians throughout the planning period. Awareness of the $100,000 coverage limit remains at or above 15% of Canadians throughout the planning period.	Implement CDIC's new Long-Term Public Awareness Strategy and Plan. Leverage financial advisors to reach consumers. Implement a social media strategy.

AWARENESS OF CDIC AND THE DEPOSIT INSURANCE LIMIT

Implement a new Long-Term Public Awareness Strategy and Plan

In 2012/2013, a new Long-Term Public Awareness Strategy and Plan will be launched with a continued focus on promoting awareness of CDIC, the $100,000 coverage limit, and the key financial products covered and not covered by CDIC. The strategy includes advertising campaigns through such media as online advertising and search engine marketing. We will continue to assess the effectiveness of these efforts through ongoing quarterly omnibus surveys.

Leverage financial advisors to reach consumers

Given the importance and influence of financial advisors who play a growing role in helping Canadians make financial decisions, our new strategy will leverage the relationship that these individuals have with their clients, as a means of reaching Canadians. This will be achieved through new advertising efforts specifically targeted towards financial advisors. Advertising efforts towards the general population and the 50 plus age group will continue, albeit at a more modest pace than during the past campaign.

Implement a social media strategy

CDIC has developed a new social media strategy to be launched in 2012/2013. We will use social media channels to amplify CDIC's public awareness strategy, to enhance CDIC's news monitoring capabilities, and to communicate more quickly and effectively with stakeholders.

❖ Optimize the Use of CDIC's Strategic Resources

Over the planning period, CDIC will aim to optimize its work force and its information systems—both vital to our ability to fulfill our mandate. Key initiatives that support the outcomes of this corporate strategy are summarized in the following table and described below.

Expected Performance Outcomes	Key Targets	Supporting Key Initiatives
Engaged and Stable Work Force Employees are provided with training and development opportunities, and succession plans are in place to address predicted retirements/ departures.	CDIC achieves best-in-class engagement/satisfaction (75%+) scores on its employee surveys throughout the planning period.	Continue to implement CDIC's Long-Term Human Resource Strategy (including succession management, conducting employee surveys and developing action plans).
Focused Information Systems Resources Information Systems (IS) resources are focused on CDIC's core/ mandated business activities.	The majority of IS spending is dedicated to core activities throughout the planning period.	Implement IS Tactical Plan that expands focus on core business initiatives, and optimizes IS services.
Cost Efficiency CDIC is able to manage its operations in a cost effective manner, while meeting its statutory obligations and adhering to cost containment measures.	Maintain net operating expenses within approved budget levels in 2012/2013 and throughout the rest of the planning period.	Continue to look for opportunities to increase operational flexibility and efficiencies.

ENGAGED AND STABLE WORK FORCE

Continue to implement CDIC's Long-Term Human Resource Strategy

Employee engagement, succession planning, and learning and development continue to be areas of focus for CDIC. The creation of the new Complex Resolution Division and ongoing cost containment efforts have both contributed to recruitment challenges. These challenges call for innovative human resource (HR) practices, such as robust succession planning practices, flexible recruitment strategies and work force planning, to ensure CDIC has the right people in the right jobs.

During the planning period, the Corporation will address any opportunities for improvement raised in employee surveys. We will also continue to minimize training gaps and ensure our HR policies and procedures continue to reflect best practices—with the goal of retaining a stable and engaged work force.

FOCUSED APPLICATION OF INFORMATION SYSTEMS (IS) RESOURCES

Implement IS Tactical Plan that expands focus on core business initiatives and optimizes IS services

In order to remain efficient, organizations must continue to monitor, assess and adopt technologies that help them better realize their business outcomes and improve operational efficiencies. In order to effectively support CDIC's expanded responsabilities, significant investment in our systems will be required. During the planning period, CDIC will focus on building the capabilities and capacity of our intervention systems to be able to handle the level of complexity of data and information of our large complex members. We will also proceed with necessary upgrades to our corporate applications and infrastructure, and assess alternate options for IS service delivery.

COST EFFICIENCY

Continue to look for opportunities to increase operational flexibility and efficiencies

Upon her appointment in May 2010, CDIC's CEO conducted an Organizational Effectiveness Review which resulted in a multi-year action plan. This plan positioned CDIC very well to respond to the government wide Strategic and Operating Review exercise with which CDIC was asked to voluntarily comply in July 2011 (further details of this plan are presented in Part 3 of this Summary). During the planning period, we will continue to review costs and identify savings while ensuring operational, financial and reputational risks are well managed.

3. Financial and Resource Plans

CDIC's five-year financial plan for 2012/2013 to 2016/2017 is based on the planning assumptions summarized in Part 2, and incorporates the resources required to carry out the strategies and related initiatives planned for the period, also described in Part 2. The plan also includes changes to our *ex ante* funding target and assumed changes to premium rates starting in 2014/2015.

CDIC will maintain a stable financial position throughout the planning period. However, CDIC's operating environment remains dynamic. In particular, the establishment of the new Complex Resolution Division will increase CDIC's operating costs. We will continue to prudently manage our operations by regularly reviewing activities and focusing resources on our most important initiatives.

CDIC's operating budget does not allow for significant contingencies. Whenever possible, costs for unplanned activities are absorbed within the existing operating budget. If CDIC is required to intervene in the affairs of a member institution, or if new initiatives need to be undertaken that cannot be absorbed by revising priorities within the existing budget, Board approval will be requested for an increase in the Corporation's operating budget.

Premium Rates and *Ex Ante* Funding

2012/2013 Premium Rates

The maximum annual premium rate underlying the differential premium category rates is fixed annually by the Governor in Council based on a recommendation from the Minister of Finance. CDIC recommends this rate to the Minister as part of its Corporate Plan submission, taking into account the Corporation's financial condition, a current assessment of the financial and economic environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the minimum target.

The premium rates for the 2012/2013 fiscal year (2012 premium year) remain unchanged from 2011/2012.

Ex Ante Funding

CDIC requires appropriate financial resources for the proper functioning of its deposit insurance program. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed.

In 2003/2004, the Board of Directors resolved that CDIC, as a matter of prudence, should have an amount of advance (*ex ante*) funding available for possible deposit insurance losses. After careful consideration of this analysis, CDIC's Board of Directors established its *ex ante* funding target at 40 to 50 basis points of insured deposits.

In light of the significant financial upheaval of recent years, the Corporation determined that it would be appropriate to assess the sufficiency of the current target range of *ex ante* funding. CDIC prepared a consultation paper in the Spring of 2011 that was distributed to members and other interested parties. The paper considered CDIC's current *ex ante* funding target in the context of statistical analyses of potential loss scenarios and international movement towards a higher level of *ex ante* funding. As a result of that process, CDIC's Board of Directors decided to revise the *ex ante* funding minimum target to 100 basis points of insured deposits from the previous target range of 40 to 50 basis points.

In order to reach the revised *ex ante* funding minimum target within a reasonable timeframe, premium rates are assumed to increase beginning in 2014/2015. The rationale for delaying the change in premium rates until the 2014/2015 fiscal year is that members are currently implementing CDIC's new *Data and System Requirements By-law*, which has required significant investment on their part.

Five-Year Financial Plan

The Corporation's *Pro Forma* Unconsolidated Statements of Financial Position, Comprehensive Income, Changes in Equity, and Cash Flows are presented as Figures 1, 2, 3 and 4, respectively. Actual results for 2011 reflect Generally Accepted Accounting Principles (GAAP) in Canada, but have been reclassified to conform with International Financial Reporting Standards (IFRS).

HIGHLIGHTS OF THE FIVE-YEAR FINANCIAL PLAN

- **Premium revenue** is forecast to total $1,315 million (Figure 2) over the five-year planning period. Forecast premium revenue in 2012/2013 reflects proposed early compliance incentives related to CDIC's data and system requirements. **Interest income on investments** is forecast to total $224 million, and **net operating expenses** are estimated at $201 million over the same period.
- The adequacy of provision for losses is assessed on a quarterly basis and, if necessary, adjustments are recorded. For the purposes of this Plan, the **provision for insurance losses** is forecast to remain at $1,150 million throughout the planning period (Figure 1).
- The dominance of the investment portfolio over other assets is expected to continue. **Investments** are planned to increase to $3.8 billion by the end of the planning period from $2.4 billion as at March 31, 2012 (Figure 1).

The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.[3] The total income tax expense over the five-year planning horizon is forecast to be $11 million (Figure 2).

[3] Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable. The Corporation's source of taxable income is its interest revenue on cash and investments. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes.

FIGURE 1

CANADA DEPOSIT INSURANCE CORPORATION
PRO FORMA UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31
($ MILLIONS)

	2011 Actual	2012 Approved Plan	2012 Forecast	Plan				
				2013	2014	2015	2016	2017
ASSETS								
Cash and cash equivalents	1	1	1	1	1	1	1	1
Investments	2,208	2,415	2,437	2,524	2,729	2,993	3,344	3,781
Premiums receivable	—	—	—	—	—	—	—	—
Other current assets	2	1	1	1	1	1	1	1
Current assets	2,211	2,417	2,439	2,526	2,731	2,995	3,346	3,783
Capital assets (net)	6	7	7	8	7	6	5	4
Intangible assets (net)	1	4	3	5	7	7	5	4
Deferred tax asset	1	—	—	—	—	—	—	—
	8	11	10	13	14	13	10	8
Total assets	2,219	2,428	2,449	2,539	2,745	3,008	3,356	3,791
LIABILITIES								
Accounts payable and accrued liabilities	2	2	4	3	6	3	4	5
Deferred premium revenue	—	—	—	—	—	—	—	—
Current liabilities	2	2	4	3	6	3	4	5
Post employment benefit obligations	2	1	2	2	2	2	2	2
Deferred liabilities	2	1	1	1	1	1	1	1
Provision for insurance losses	1,100	1,100	1,150	1,150	1,150	1,150	1,150	1,150
Deferred tax liability	—	1	1	1	2	1	1	1
Total liabilities	1,106	1,105	1,158	1,157	1,161	1,157	1,158	1,159
EQUITY								
Retained earnings	1,113	1,323	1,291	1,382	1,584	1,851	2,198	2,632
Accumulated other comprehensive income	—	—	—	—	—	—	—	—
Total equity	1,113	1,323	1,291	1,382	1,584	1,851	2,198	2,632
	2,219	2,428	2,449	2,539	2,745	3,008	3,356	3,791

FIGURE 2

CANADA DEPOSIT INSURANCE CORPORATION
PRO FORMA UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31

($ MILLIONS)

	2011 Actual	2012 Approved Plan	2012 Forecast	Plan				
				2013	2014	2015	2016	2017
REVENUE								
Premium	253	213	224	89	192	265	343	426
Interest on investments	34	35	40	42	39	43	47	53
Other	—	—	—	—	14	—	—	—
	287	248	264	131	245	308	390	479
EXPENSES								
Operating	30	34	34	39	39	40	41	42
Increase in provision for insurance losses	—	—	50	—	—	—	—	—
	30	34	84	39	39	40	41	42
Net income before income taxes	257	214	180	92	206	268	349	437
Income tax recovery (expense)	(1)	(1)	(2)	(1)	(4)	(1)	(2)	(3)
NET INCOME	256	213	178	91	202	267	347	434
OTHER COMPREHENSIVE INCOME								
Actuarial gains on defined benefit obligations	—	—	—	—	—	—	—	—
Income tax expense in respect of actuarial gains on defined benefit plans	—	—	—	—	—	—	—	—
Other comprehensive income for the year (net of tax)	—	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME	256	213	178	91	202	267	347	434

FIGURE 3

CANADA DEPOSIT INSURANCE CORPORATION
PRO FORMA UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31

($ MILLIONS)

	2011 Actual	2012 Approved Plan	2012 Forecast	Plan				
				2013	2014	2015	2016	2017
RETAINED EARNINGS								
Balance at beginning of the fiscal year	857	1,110	1,113	1,291	1,382	1,584	1,851	2,198
Net income	256	213	178	91	202	267	347	434
Ending balance	1,113	1,323	1,291	1,382	1,584	1,851	2,198	2,632
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME								
Balance at beginning of the fiscal year	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—
Ending balance	—	—	—	—	—	—	—	—
TOTAL EQUITY	1,113	1,323	1,291	1,382	1,584	1,851	2,198	2,632

FIGURE 4

CANADA DEPOSIT INSURANCE CORPORATION
PRO FORMA UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31
($ MILLIONS)

	2011 Actual	2012 Approved Plan	2012 Forecast	Plan				
				2013	2014	2015	2016	2017
OPERATING ACTIVITIES								
Net income	256	213	178	91	202	267	347	434
Add (deduct) items not involving cash:								
Increase (decrease) in provision for insurance losses	—	—	50	—	—	—	—	—
Depreciation and amortization	1	2	2	2	2	2	2	2
Deferred taxes	—	—	—	—	—	—	—	—
Charge for defined benefit plans	—	—	—	—	—	—	—	—
Change in working capital								
(Increase) decrease in premiums receivable	—	—	—	—	—	—	—	—
(Increase) decrease in income tax receivable	3	—	—	—	—	—	—	—
(Increase) decrease in other current assets	—	—	1	—	—	—	—	1
Increase (decrease) in accounts payable and other accrued liabilities	(2)	—	(1)	—	—	—	—	(2)
Increase (decrease) in income tax payable	1	—	1	(2)	4	(3)	1	1
Net cash (used in) generated by operating activities	259	215	231	91	208	266	350	436
INVESTING ACTIVITIES								
Acquisition of capital and intangible assets	(5)	(5)	(4)	(6)	(4)	(1)	(1)	(1)
Purchase of financial investments	(3,775)	(210)	(227)	(85)	(204)	(265)	(349)	(435)
Proceeds from sale or maturity of financial investments	3,521	—	—	—	—	—	—	—
Net cash (used in) generated by investing activities	(259)	(215)	(231)	(91)	(208)	(266)	(350)	(436)
Net increase in cash	—	—	—	—	—	—	—	—
Cash and cash equivalents, beginning of year	1	1	1	1	1	1	1	1
Cash and cash equivalents, end of year	1	1	1	1	1	1	1	1

Operating Budget—2012/2013

A summary of the operating budget is set out in Figure 5 below.

FIGURE 5

UNCONSOLIDATED OPERATING PLAN

($ MILLIONS)

	2011 Actual	2012 Approved Plan	2012 Forecast	2013 Plan
REVENUE				
Premiums	253.3	213.3	223.9	89.3
Interest income	33.5	34.8	39.7	42.0
Other revenue	—	—	—	—
	286.8	248.1	263.6	131.3
OPERATING EXPENSES				
Salaries and other personnel costs	14.7	15.8	15.6	19.5
Professional fees	4.2	5.3	5.3	5.7
General expenses	3.2	4.5	4.9	5.3
Premises	3.3	3.6	3.4	3.5
Public awareness	3.8	3.9	3.9	2.7
Data processing	1.7	1.9	1.8	2.1
Total operating expenses	30.9	35.0	34.9	38.8
Less cost recovery (FCAC, OSFI, AMF)[1]	(0.6)	(0.6)	(0.4)	(0.2)
Net operating expenses	30.3	34.4	34.5	38.6
Adjustment to provisions	—	—	50.0	—
	30.3	34.4	84.5	38.6
Net income before recoveries and income tax	256.5	213.7	179.1	92.7
Income tax recovery (expense)	(0.7)	(1.2)	(1.4)	(1.0)
Net income	255.8	212.5	177.7	91.7

[1] Until mid-2011/2012 CDIC provided call centre services to the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost recovery basis. Now, CDIC continues to provide call centre services to OSFI on an outsourced basis, and continues to recover OSFI's share of the costs. These costs are included in the relevant expense categories. In addition, the Autorité des marchés financiers (AMF) in Québec no longer contributes to CDIC's public awareness campaign.

Strategic and Operating Review Activities

In 2010/2011, CDIC conducted a comprehensive review focused on identifying how the Corporation could deliver its expanding mandate while minimizing incremental expenditures. The criteria used to conduct this review and the corresponding results are aligned directly with the objectives and criteria of the government-wide Strategic and Operating Review (SOR) exercise that is currently taking place.

Both immediate savings as well as longer term operating efficiencies were identified during this review. Ongoing savings which have already been implemented amount to approximately $1 million annually and were achieved by a number of initiatives, including: a reorganization of CDIC's back office functions; streamlining internal processes; eliminating certain positions; outsourcing; and reducing our regional space footprint. With planned (2012/2013) changes to the delivery of our public awareness program reflected in the budget above, we anticipate a further cost savings of $1 million, for a total reduction of 6% of our operating budget.

The prudent management of financial resources at CDIC remains a priority for both our Board of Directors and our CEO. We will continue to look for opportunities to increase efficiency and generate savings throughout the planning period.

Operating Budget Details

While we have been successful at reducing some operating costs, an overall increase to our budget is required in order to ensure that we continue to fulfill our critical role within the financial safety net and adequately address our expanded responsibilities related to large and complex member institution resolution. To this end, the above operating budget reflects salary costs related to our new Complex Resolution Division as well as ongoing initiatives and activities associated with our corporate strategies. The budget also reflects lower premium revenue related to incentives offered to member institutions for early compliance with CDIC's *Data and System Requirements By-law*.

Capital Budget—2012/2013

The budget for capital expenditures in 2012/2013 is $6.15 million. The capital budget is summarized in Figure 6.

FIGURE 6

UNCONSOLIDATED CAPITAL EXPENDITURES
($ THOUSANDS)

	2011 Actual	2012 Approved Plan	2012 Forecast	2013 Plan
Furniture and equipment	39	100	100	100
Computer hardware	600	650	650	850
Software development costs	949	3,000	2,000	3,500
Leasehold improvements	3,227	960	960	1,700
Total	**4,815**	**4,710**	**3,710**	**6,150**

CDIC's capital budget in 2013 reflects the impact of two major items: the capitalization of eligible software development costs related to the Tri-Agency Data Sharing System (TDS), and leasehold improvement costs related to CDIC's Ottawa premises. The capitalized development costs will be amortized over their expected useful lives.

CDIC will share in the costs to redevelop the TDS. This project had been planned to commence in the 2011/2012 fiscal year but has been delayed until 2012/2013. It is a multi-year project with total costs to be shared among CDIC, the Office of the Superintendent of Financial Institutions (OSFI), and the Bank of Canada. Figure 6 includes current estimates of CDIC's share of the costs associated with this initiative which will not impact operating expenses until the system is in production and costs start to be amortized. CDIC anticipates in 2012/2013 to commence leasehold improvements for its Ottawa premises in order to accommodate increasing space requirements for the Complex Resolution Division.

Accounting Issues

Basis of Preparation

CDIC's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Actual results for 2010/2011 reflect Canadian GAAP, but have been reclassified to conform with IFRS. CDIC's financial statements do not reflect the assets, liabilities or operations of failed member institutions in which CDIC has intervened.

Borrowing Plan

As at December 31, 2011, CDIC had no debt outstanding.

Statutory Borrowing Authorities

Pursuant to section 10.1(1) of the *CDIC Act*, at the Corporation's request, the Minister of Finance can make loans to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. The *CDIC Act* also provides that CDIC can borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed $15 billion (this amount is adjusted annually based on insured deposit growth and, as at January 1, 2012, was $18 billion), or such greater amount as may be authorized by Parliament under an appropriation act. The *CDIC Act* also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

Borrowing Approach

The working assumption is that no borrowing will be required. However, if an intervention is (or were) required (or a member institution were to fail), various funding options are available.

Funding of intervention strategies would require a case by case analysis to determine optimal funding strategies. CDIC's investment portfolio may or may not be used as a first call on liquidity depending on the circumstances. Future liquidity requirements, asset-liability matching and unwanted market signalling that could result from the liquidation of CDIC's portfolio would be considerations, among other things, in the development of funding strategies. Nevertheless, capital preservation and potential liquidity requirements imply that the investment portfolio is positioned toward low-risk and highly liquid instruments.

Should borrowing be required, CDIC would access funds from the CRF through the Crown Borrowing Program administered by the Department of Finance. CDIC also has the authority to borrow from capital markets, by issuing commercial paper or medium-term notes in domestic and other markets. Borrowings from the CRF or capital markets will require specific approval of the Board of Directors and will be subject to individual transaction approval by the Minister of Finance. A Stand-by Credit Facility Service Agreement between CDIC and the Department of Finance has been established to support borrowing activities and any borrowings under that agreement will rely on the authorities provided in this Borrowing Plan.

Line of Credit

CDIC has in place credit facilities with its banker for up to $10 million for cash management purposes. The credit facility is specifically exempt from the credit enhancement fee that applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period. This line carries no cost to CDIC until it is used.

Financial Risk Management

Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks. Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed at least annually in order to ensure that they continue to be appropriate and prudent, and that they comply with the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*.

Human Resource Requirements

The Corporation is planning for an increase in human resources during the period, reflecting the creation of the new Complex Resolution Division. Figure 7 reflects the permanent person years for the planning period.

FIGURE 7

HUMAN RESOURCE REQUIREMENTS
(PERSON YEARS)

	2011/2012 Approved Plan	2012/2013 to 2016/2017 (Plan)
Corporate Total	104	115
Less: Assigned to FCAC and OSFI	(5)	—
Total	**99**	**115**

CDIC operates with a core of expert employees, augmenting them as necessary to deal with specific challenges.

The proposed complement for the planning period includes additional positions in the Complex Resolution Division which were not contemplated in the 2011/2012 to 2015/2016 Plan. It also reflects the outsourcing of CDIC's call centre in fiscal 2011/2012, which eliminated a number of positions.

4. Performance Against Past Plans

Highlights of CDIC's Past Performance —2011/2012 to 2015/2016

CDIC's *Corporate Plan 2011/2012 to 2015/2016* identified three corporate strategies that reflected the Corporation's assessment of its operating environment and risks, and that support its business objects. These were:

- ***Strengthening Monitoring and Resolution Capabilities***
- ***Promoting Public Awareness of Deposit Insurance***
- ***Maintaining Efficient and Effective Operations***

CDIC's performance to date against these strategies is summarized in the following Corporate Scorecard. The Scorecard shows that CDIC's progress against the majority of its key targets and related key initiatives are proceeding as planned, with the exception of the following initiatives that experienced slippage in terms of time to completion and/or budget variances.

STRATEGY: *Strengthening Monitoring and Resolution Capabilities*

Key Initiative: *In Agency Data Sharing System (IDS) redesign and replacement*—CDIC has strong methodologies and processes to monitor and assess the risks of its member institutions. These processes are reviewed on an ongoing basis, and enhancements are made to further improve them. One of the systems that provides CDIC with information to support its risk monitoring and assessment activities is the IDS, which is scheduled to be replaced. This is a collaborative initiative with the Office of the Superintendent of Financial Institutions (OSFI) and led by the Bank of Canada to overhaul the system that enables us to collect and share information from financial institutions. An initial request for proposals (RFP) issued in 2010 yielded only one proposal, which was deemed unacceptable. A second RFP was issued in July 2011, which resulted in a greater number of acceptable responses; selection of the successful bidder was confirmed in December 2011. Implementation, planned to start in the first quarter of the 2012/2013 fiscal year, is expected to take two to three years to complete.

STRATEGY: *Maintaining Efficient and Effective Operations*

Key Initiative: *Develop and implement Information Systems (IS) Tactical Plan*—The IS Tactical Plan has been developed and approved. With the focus of resources and efforts on the development and enhancement of CDIC's core systems to support Fast Insurance Determination (FID), this has required some other initiatives identified in the tactical plan to be delayed or deferred.

CDIC Corporate Scorecard —2011/2012 to 2015/2016

Corporate Strategies	Outcomes	Targets	Status (▲▼●)	Key Initiatives
Strengthening Monitoring and Resolution Capabilities CDIC will continue to focus on enhancing our readiness for a member institution failure, including increased monitoring of the risk of our membership, expansion of our payout capacity, and broadening our non-payout approaches to resolution.	**Readiness for Payout:** CDIC is ready to successfully complete a payment of up to one million depositors within 20 days.	Verify in a simulation by September 2011 CDIC's capacity to make an insured deposit payment of up to one million depositors, in less than 20 days.	▲	Large Payout Capacity Enhancement Project Payout simulation of one million depositors
		CDIC is able to assess member institutions' compliance with the *CDIC Data and System Requirements By law* by July 2012.	▲	Fast Insurance Determination (FID) Project (including enhancements to our insurance determination systems as well as developing a compliance assessment solution)
	Readiness for Non-Payout Resolution: CDIC is ready to implement non-payout resolutions for mid-sized and larger member institution failures (including a bridge institution).	Develop a human resources model that would support a bridge institution resolution by March 2012.	▲	Development of plans to support a bridge institution resolution
		Work with safety net partners to advance the preparation of resolution plans for large banks over the planning period (2011/2012 to 2015/2016).	▲	Preparation of institution-specific resolution plans
	Access to Intervention Resources: CDIC has sufficient powers and access to appropriate resources to intervene in the failure of any member institution.	Develop a proposed target *ex ante* funding size and a strategy for premium rate setting by March 2012.	▲	Review of funding methodology and targets
		CDIC has established appropriate stand-by arrangements to support CDIC staff in the event of an intervention scenario throughout the planning period (2011/2012 to 2015/2016).	▲	Review contingent work force arrangements

LEGEND

▲ Planned progress on schedule and within budget.

▼ Slippage in terms of time to completion, and/or budget variances.

● Cancelled or deferred.

Corporate Strategies	Outcomes	Targets	Status (▲▼●)	Key Initiatives
Strengthening Monitoring and Resolution Capabilities CDIC will continue to focus on enhancing our readiness for a member institution failure, including increased monitoring of the risk of our membership, expansion of our payout capacity, and broadening our non-payout approaches to resolution.	**Crisis Communication:** CDIC is able to communicate efficiently and effectively with key stakeholders in the event of a member institution failure.	CDIC's communications tools are reviewed and updated over the planning period (2011/2012 to 2015/2016).	▲	Update depositor self-serve website and crisis communication tools Development and implementation of a social media strategy
	International Collaboration: CDIC continues to collaborate with international partners, to develop best practices in deposit insurance and to assist other countries as they establish/reform their deposit insurance systems.	Demonstrate leadership through participation as a member of the International Association of Deposit Insurers (IADI) Executive Council throughout the planning period (2011/2012 to 2015/2016).	▲	Update of CDIC's 2004 work on the IADI differential premium system guidance
	Membership Risk Monitoring: CDIC is able to assess and understand risks posed by its member institutions, supporting prompt response to potential risks and preparedness to intervene.	Strengthen risk assessment data systems.	▼	Tri-Agency Data Sharing System (TDS) redesign and replacement
Promoting Public Awareness of Deposit Insurance CDIC works to increase and better sustain public awareness of deposit insurance and of its benefits and limits. CDIC long-term awareness strategies build on past initiatives and address the evolving environment and risks to depositors.	**Awareness of CDIC and the Deposit Insurance Limit:** Sustained total awareness of CDIC by the general public so that one in two Canadians is aware of CDIC. Sustained awareness of the $100,000 deposit insurance limit by the general public so that one in five Canadians is aware without being prompted of the $100,000 coverage limit.	Maintain total awareness of CDIC by the general public so that one in two Canadians is aware of CDIC, and one in five Canadians is aware without being prompted of the $100,000 coverage limit.	▲	Long-Term Public Awareness Strategy and Plan and ongoing outreach

CDIC Corporate Scorecard —2011/2012 to 2015/2016

Corporate Strategies	Outcomes	Targets	Status (▲▼)	Key Initiatives
Maintaining Efficient and Effective Operations CDIC maintains the public's confidence by fulfilling its mandate in an efficient and effective manner. CDIC manages its significant risks, maintains sound governance and interacts with its key stakeholders on a regular basis.	**Engaged and Stable Work Force:** CDIC achieves best-in-class engagement/satisfaction scores on employee surveys. Employees are provided with sufficient appropriate training and development opportunities. Appropriate succession plans are in place to address upcoming retirements.	Maintain satisfaction scores of 75% on employee surveys and develop an action plan based on results by March 2012.	▲	Conduct an Employee Engagement/Satisfaction Survey and the development and implementation of any required action plans
	Sustainability of Infrastructure and Operations: Information Systems (IS) resources are focused on CDIC's core/mandated business activities.	Develop and implement a tactical IS plan that identifies initiatives to support core mandate systems and that optimizes IS service delivery capabilities by November 2011.	▼	Develop and implement IS Tactical Plan
	Sound Financial Resources Management: CDIC is able to manage its operations in a cost-effective manner, while meeting its statutory obligations and adhering to existing cost containment measures.	Maintain 2011/2012 actual net operating expenses within the approved budget of $34.4 million.	▲	Conduct organizational effectiveness review Maintain restrictions on travel, hospitality and conference expenses
	Assessing Corporate Risks: CDIC is able to identify and assess its significant risks within a more streamlined process.	2011/2012 annual Enterprise Risk Management (ERM) assessment process and summary reports are simplified and timelines shortened.	▲	Simplify and streamline ERM process

LEGEND ▲ Planned progress on schedule and within budget.
▼ Slippage in terms of time to completion, and/or budget variances.
● Cancelled or deferred.

Past Financial Performance —2010/2011 and 2011/2012

Following is an overview of CDIC's performance against Plan for the fiscal year ending March 31, 2011, and forecasted to March 31, 2012. The 2010/2011 to 2015/2016 Approved Plan (2011 Approved Plan) was prepared under Canadian Generally Accepted Accounting Principles (GAAP); however, 2011 Actual, 2012 Approved Plan and 2012 Forecast reflect International Financial Reporting Standards (IFRS). The primary transition adjustment between Canadian GAAP and IFRS was to record financial instruments at amortized cost under IFRS compared to fair value under GAAP. The 2011 Approved Plan did not assume any fair value adjustments to financial instruments and planned book value approximated amortized cost. As a result, the differences in the 2011 Approved Plan under GAAP and IFRS are not material.

Financial Statement Consolidation

CDIC's 2011 consolidated financial statements include the results of the Corporation and of Adelaide Capital Corporation (ACC), a variable interest entity. The impact of this consolidation on CDIC's March 31, 2011, financial statements was an increase in assets of $0.9 million. The resulting increase in liabilities, total revenues and expenses was insignificant and therefore the cumulative impact on the Corporation's retained earnings was $0.9 million.

Financial Highlights

Highlights of CDIC's financial performance for 2010/2011 and 2011/2012 against Plan are set out in the following figures and related descriptions.

FIGURE 8

KEY FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING MARCH 31

($ MILLIONS UNLESS OTHERWISE NOTED)

	2011 Approved Plan	2011 Actual	2012 Approved Plan	2012 Forecast
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS				
Premium revenue	180	253	213	224
Interest on investments	31	34	35	40
Recoveries of amounts previously written off	14	—	—	—
Net operating expenses	33	30	34	34
Net income	193	256	213	178
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS				
Investments	2,148	2,208	2,415	2,437
Provision for insurance losses	800	1,100	1,100	1,150
Retained earnings	1,352	1,113	1,323	1,291
OTHER				
Ex ante funding level (in basis points of insured deposits)[1]	34	37	39	39

[1] The *ex ante* funding level is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses as reported in its financial statements. The minimum target for *ex ante* funding is 100 basis points of insured deposits.

2010/2011 ACTUAL TO PLAN

The Corporation's financial condition remained strong in 2010/2011 with a **net income** of $256 million compared to the planned result of $193 million. The primary driver of the $63 million positive variance was higher than planned premium revenue ($73 million higher than planned) as a result of unplanned changes in the classification of certain members under the Differential Premiums system. Throughout the year, the Corporation undertook a rigorous review and restraint of its operating expenses which was reflected in its actual **operating expenses** of $30 million, or 10% below the budgeted $33 million.

Investments remain dominated by high quality, liquid assets.

The ***ex ante* funding** level rose to 37 basis points of insured deposits due to the higher than planned premium revenue.

2011/2012 FORECAST TO PLAN

CDIC forecasts that it will remain in a strong financial condition throughout the balance of the 2011/2012 fiscal year. The most significant variance projected between the 2011/2012 Plan and the forecast is that the **provision for insurance losses** was increased by $50 million during the second quarter of fiscal 2011/2012. The change was made to reflect the potential impact on member institutions of reduced growth forecasts in Canada and market volatility triggered in part by the European sovereign debt crisis.

The Corporation forecasts that the ***ex ante* fund** will grow to 39 basis points of insured deposits by the end of the fiscal year, compared to a minimum target of 100 basis points.

The Unconsolidated Statements of Financial Position and Comprehensive Income and Equity providing the progression of the unconsolidated 2010/2011 and 2011/2012 Plans are presented as Figures 9 and 10. These financial statements include the Corporation's financial results for 2010/2011 against its approved Plan for the same year, as well as the 2011/2012 forecast against Plan.

FIGURE 9

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION PROGRESSION OF 2010/2011 AND 2011/2012 PLANS AS AT MARCH 31

($ MILLIONS)

	2011 Approved Plan	2011 Actual	2012 Approved Plan	2012 Forecast
ASSETS				
Cash	1	1	1	1
Investments	2,148	2,208	2,415	2,437
Other current assets	—	2	1	1
	2,149	**2,211**	**2,417**	**2,439**
Capital assets	5	6	7	7
Intangible assets	—	1	4	3
	5	**7**	**11**	**10**
Deferred tax asset	—	1	—	—
	2,154	**2,219**	**2,428**	**2,449**
LIABILITIES				
Accounts payable and accrued liabilities	2	2	2	4
Post-employment benefit obligations	—	2	1	2
Deferred tax liability	—	—	1	1
Deferred liabilities	—	2	1	1
Provision for insurance losses	800	1,100	1,100	1,150
	802	**1,106**	**1,105**	**1,158**
EQUITY				
Retained earnings	1,352	1,113	1,323	1,291
Accumulated other comprehensive income	—	—	—	—
	2,154	**2,219**	**2,428**	**2,449**

FIGURE 10

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EQUITY PROGRESSION OF 2010/2011 AND 2011/2012 PLANS FOR THE YEAR ENDING MARCH 31

($ MILLIONS)

	2011 Approved Plan	2011 Actual	2012 Approved Plan	2012 Forecast
REVENUE				
Premiums	180	253	213	224
Interest on investments	31	34	35	40
Other	—	—	—	—
	211	**287**	**248**	**264**
EXPENSES				
Net operating expenses	33	30	34	34
Increase in provision for insurance losses	—	—	—	50
Net income before recoveries and income tax	**178**	**257**	**214**	**180**
Recovery of amounts previously written off	14	—	—	—
Income tax recovery (expense)	1	(1)	(1)	(2)
Total comprehensive income	**193**	**256**	**213**	**178**
Retained earnings, beginning of year	1,159	857	1,110	1,113
Total equity	**1,352**	**1,113**	**1,323**	**1,291**